

**Davison - Richfield Area Fire Authority
Genesee County, Michigan**

Financial Report

June 30, 2008

Davison - Richfield Area Fire Authority

Contents

Introductory Section

List of Appointed Officials and Fire Chief	I
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Financial Section

Report of Independent Auditors	2
Management's Discussion and Analysis	3-5
Basic Financial Statements:	
Statement of Net Assets and Governmental Fund Balance Sheet - General Fund	6
Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balances - General Fund	7
Notes to the Basic Financial Statements	8-16

Required Supplementary Information Section

Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	17
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Introductory Section

Davison - Richfield Area Fire Authority

List of Appointed Officials and Fire Chief

Appointed Officials

Jim Jacques	Chairperson
Lisa Holmes	Vice Chairperson
Dale Martin	Secretary
Kurt Soper	Treasurer
Tim Elkins	
Ronald Emery	
John Krueger	

Fire Chief

Mike Wright

Financial Section



Independent Auditor's Report

Davison - Richfield Area Fire Authority Board
Davison - Richfield Area Fire Authority
Davison, Michigan

We have audited the accompanying financial statements of the general fund and governmental activities of the Davison - Richfield Area Fire Authority, Michigan (Authority) as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the general fund and the governmental activities of the Davison - Richfield Area Fire Authority, Michigan as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Plante & Moran, PLLC

November 10, 2008

Management's Discussion and Analysis

Davison - Richfield Area Fire Authority

Management's Discussion and Analysis

As management of Davison – Richfield Area Fire Authority (Authority), we offer readers of Davison – Richfield Area Fire Authority's financial statements this narrative overview and analysis of the financial activities of the Authority.

The basic financial statements for the Authority are comprised of the governmental fund balance sheet/statement of net assets, combined statement of revenues, expenditures, and changes in fund balances/statement of activities and notes to the financial statements.

The statement of net assets presents the information of the governmental activities for both the assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the governmental activities' net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Highlights

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total assets of the Authority are \$3,377,979 of which \$2,643,984 represents cash and cash equivalents, and investments. The liabilities are \$42,090, which represents amounts due to vendors of \$2,553 and \$39,537 of accrued liabilities, leaving net assets of \$3,335,889.

Net assets increased \$272,995 for the Authority as a result of \$451,517 in fire protection expenses which are offset by direct charges for services of \$611,808 and general revenues of \$112,704. Charges for services from municipal billings of \$609,048 were generated from fire runs which are charged to the individual participating units based on the location of the fire runs. During the fiscal year ended June 30, 2008, the Authority had a total of 420 runs. 375 of the total runs were billed to the participating units at a per fire run charge of \$1,562; 45 of the total runs were mutual aid/weather runs billed at \$521 per run. The Authority generated inspection income in the amount of \$2,760.

Net assets invested in capital assets amount to \$522,525, restricted net assets amounted to \$2,637,053, and unrestricted net assets amounted to \$176,311.

Capital assets, net of accumulated depreciation, totaled \$522,525 at June 30, 2008. These assets are depreciated over various lives based on the type of asset. Accumulated depreciation to date is \$1,652,795. Should the Authority ever disband the capital assets are to be allocated based on the contributions made by each participating unit for specific years. These percentages are calculated yearly and are detailed by year in the notes to the financial statements.

The revenue collected for fire runs is allocated as follows: future equipment replacement \$60; future vehicle replacement \$387; and normal operations \$1,115 for regular runs and \$74 for mutual aid/weather runs. Therefore, the majority of the unrestricted net assets are being set aside for future equipment and vehicle expenditures. At June 30, 2008, \$2,407,374 was set aside for future vehicle expenditures and \$248,379 was set aside for future equipment expenditures.

Davison - Richfield Area Fire Authority

Management's Discussion and Analysis (Continued)

Government-wide Financial Analysis

Davison-Richfield Area Fire Authority's Net Assets Governmental Activities

	<u>2008</u>	<u>2007</u>
Current and other assets	\$2,855,454	\$2,556,096
Capital assets	522,525	549,408
Total assets	3,377,979	3,105,504
Liabilities	42,090	42,610
Net assets:		
Invested in capital assets	522,525	549,408
Restricted for capital purchases	2,637,053	2,433,050
Unrestricted	176,311	80,436
Total net assets	\$3,335,889	\$3,062,894

Davison-Richfield Area Fire Authority's Capital Assets-Net of Depreciation Governmental Activities

	<u>2008</u>	<u>2007</u>
Construction in progress	\$ 18,700	\$ -
Alarm equipment	-	423
Trucks and vehicles	423,372	455,847
Radio equipment	31,910	45,010
Fire fighting equipment	20,134	14,224
Fire hall equipment	3,437	5,772
Building improvements	19,972	23,132
Building and land	5,000	5,000
Total	\$522,525	\$549,408

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Davison-Richfield Area Fire Authority, assets exceeded liabilities by \$3,335,889.

By far the largest portion of the Authority's net assets (79.6 percent) is restricted for capital purchases.

Current and other assets increased \$272,475 from prior year due to excess revenues over expenditures. Capital assets decreased \$26,683 due to the net effect of purchasing capital assets less annual depreciation.

Davison - Richfield Area Fire Authority

Management's Discussion and Analysis (Continued)

Davison-Richfield Area Fire Authority's Changes in Net Assets Governmental Activities

	<u>2008</u>	<u>2007</u>
Revenues		
Program revenues:		
Charges for services	\$ 611,808	\$ 547,310
General revenues:		
Interest income	112,524	103,592
Miscellaneous income	180	26,145
Total revenues	<u>724,512</u>	<u>677,047</u>
Expenses:		
Fire protection	<u>451,517</u>	<u>503,893</u>
Total expenses	<u>451,517</u>	<u>503,893</u>
Increase in net assets	272,995	173,154
Net assets - Beginning of the year	<u>3,062,894</u>	<u>2,889,740</u>
Net assets - End of the year	<u>\$3,335,889</u>	<u>\$3,062,894</u>

Charges for services increased \$64,498 and are made up of two components; municipal billings and inspection income. Municipal billings increased \$67,438 due to 45 more runs and an increase in the billing rate per run in fiscal year 2008. Inspection income decreased \$2,940. Interest income increased \$8,932 primarily due to a large certificate of deposit maturing in fiscal year 2008.

Fire protection expenses decreased \$52,376 primarily due to lower labor costs due to the fire chief's leave of absence.

Budget

The budget for 2008 was not amended during the year. The Authority has again produced a timely and balanced budget for 2008. The budget for 2008 included anticipated expenditures for the refurbishment and replacement of vehicles of approximately \$420,000 which will not occur until next year.

Contacting the Authority's Management

This financial report is intended to provide our citizens and participating units of government with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, we welcome you to contact the Authority's Treasurer from Davison Township.

Basic Financial Statements

Davison-Richfield Area Fire Authority

Statement of Net Assets and Governmental Fund Balance Sheet General Fund June 30, 2008

	General Fund	Adjustments (Note 2 A)	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 1,397,663	\$ -	\$ 1,397,663
Investments	1,246,321	-	1,246,321
Due from other governments	168,659	-	168,659
Prepaid costs	42,351	-	42,351
Deposits	460	-	460
Capital assets, not subject to depreciation	-	23,700	23,700
Capital assets, subject to depreciation	-	498,825	498,825
Total assets	\$ 2,855,454	522,525	3,377,979
Liabilities			
Accounts payable	\$ 2,553	-	2,553
Accrued liabilities	39,537	-	39,537
Total liabilities	42,090	-	42,090
Fund Balances/Net Assets			
Fund balances:			
Reserved for prepaids	42,351	(42,351)	-
Reserved for equipment purchases	248,379	(248,379)	-
Reserved for vehicle purchases	2,388,674	(2,388,674)	-
Unreserved			
Designated for firemen cost recovery	24,525	(24,525)	-
Undesignated	109,435	(109,435)	-
Total fund balances	2,813,364	(2,813,364)	-
Total liabilities and fund balances	\$ 2,855,454	-	-
Net assets:			
Invested in capital assets		522,525	522,525
Restricted for equipment purchases		248,379	248,379
Restricted for vehicle purchases		2,388,674	2,388,674
Unrestricted		176,311	176,311
Total net assets		\$ 3,335,889	\$ 3,335,889

See Notes to Financial Statements.

Davison-Richfield Area Fire Authority

Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balance General Fund June 30, 2008

	General Fund	Adjustment (Note 2 B)	Statement of Activities
Expenditures/Expenses			
Fire protection	\$ 424,634	\$ 26,883	\$ 451,517
Program Revenues			
Charges for services:			
Municipal billings	609,048	-	609,048
Inspection income	2,760	-	2,760
Total program revenues	611,808	-	611,808
Net program revenue		(26,883)	160,291
General Revenues			
Interest income	112,524	-	112,524
Miscellaneous	180	-	180
Total other revenues	112,704	-	112,704
Excess (deficiency) of revenue over expenditures/ Change in net assets	299,878	(26,883)	272,995
Fund Balance/Net Assets			
Beginning of the year	2,513,486	549,408	3,062,894
End of the year	<u>\$ 2,813,364</u>	<u>\$ 522,525</u>	<u>3,335,889</u>

See Notes to Financial Statements.

Notes to Basic Financial Statements

Davison - Richfield Area Fire Authority

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies

The accounting policies of the Davison – Richfield Area Fire Authority (Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Davison – Richfield Area Fire Authority.

A. Reporting Entity

The accompanying financial statements present the government and its component units, legally separate entities for which the Authority is considered to be financially accountable. The Authority did not have any component units at June 30, 2008.

The Davison – Richfield Area Fire Authority was formed by an agreement between the City of Davison, Davison Township, and Richfield Township, to operate a fire department on a shared cost basis. The Authority is governed by a seven member board appointed by the governing bodies of the participating members. The agreement provides that each unit will appropriate funds to the Authority based on \$1,562 for each fire run in its jurisdiction and \$521 for each mutual aid fire run/weather call.

In addition, the Board of the Authority is required to submit an annual operating budget to the governing body of each municipality for approval. Any of the members may withdraw from the Authority by giving written notice one year prior to withdrawal. The withdrawing party shall receive a share of the equity of the Authority as provided in the agreement. (See Note 4B for each unit's percentage share of fixed assets.)

The following are the contributions made by the Authority members for the year ended June 30, 2008:

	<u>Total</u>	<u>City of Davison</u>	<u>Richfield Township</u>	<u>Davison Township</u>
Municipal billings	\$609,048	\$106,193	\$184,276	\$318,579

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with fire protection. *Program revenues* include 1) charges to customers or governments who purchase, use, or directly benefit from fire protection or services, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of fire protection. Other items not properly included among program revenues are reported instead as *general revenue*.

Davison - Richfield Area Fire Authority

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Municipal billings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent that they meet the availability criteria. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following governmental fund:

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to first apply restricted resources.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and cash equivalents

The Authority's cash and cash equivalents include demand deposits and sweep money market funds.

2. Investments

Investments are stated at fair value. A certificate of deposit with a maturity date of greater than three months of time of purchase has been recorded as an investment on the financial statements.

Davison - Richfield Area Fire Authority

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Capital assets

Capital assets, which include land, buildings, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the authority as personal property assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

All real property purchased by the Authority must be titled in the name of the Authority and has been included in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Buildings, building improvements, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Alarm equipment	5-15
Radio equipment	3-10
Fire hall equipment	5-10
Fire fighting equipment	5-15
Building improvements	10-15
Building	20
Trucks and vehicles	5-20

4. Fund equity

In the fund financial statements, the governmental fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Davison - Richfield Area Fire Authority

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Reconciliation of government-wide and fund financial statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance -total governmental funds and net assets -governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The details of this difference are as follows:

Capital assets, net of depreciation	<u>\$522,525</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$522,525</u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenue, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 62,644
Depreciation expense	<u>(89,527)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (26,883)</u>

Davison - Richfield Area Fire Authority

Notes to Financial Statements June 30, 2008

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, a proposed operating budget is submitted to the Authority Board for the year commencing the following July 1. The operating budget includes proposed expenditures, and the means of financing them, for the General Fund.
2. Public hearings are conducted to obtain taxpayer comments.
3. After the Authority Board reviews the proposed budget, it is then sent to the three municipalities for their approval. The budget is legally adopted on a fund basis after each municipality submits its approval to the Authority Board.
4. Any revisions to the budget must first be approved by the Authority Board and then by each municipality.
5. Formal budgetary integration is employed as a management control device during the year. Also, the budget is adopted on a basis consistent with generally accepted accounting principles.
6. Budget appropriations lapse at year end.
7. The original budget was not amended during the year.

Note 4 - Detailed Notes on All Funds

A. Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated two banks for the deposit of its funds; JP Morgan Chase and National City. The investment policy adopted by the Board is in accordance with Public Act 196 of 1997 as listed above. The Authority's deposits are in accordance with statutory authority.

Davison - Richfield Area Fire Authority

Notes to Financial Statements June 30, 2008

Note 4 - Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

The Authority's cash and investments are subject to two different types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Authority had \$1,146,321 of bank deposits that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. At year end, \$1,401,465 of the sweep account was uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

B. Capital assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in progress	-	18,700	-	18,700
	5,000	18,700	-	23,700
Capital assets being depreciated:				
Alarm equipment	2,738	-	-	2,738
Trucks and vehicles	1,487,300	29,552	-	1,516,852
Radio equipment	108,004	-	-	108,004
Fire fighting equipment	161,764	12,500	-	174,264
Fire hall equipment	90,675	1,892	-	92,567
Building improvements	62,195	-	-	62,195
Building	195,000	-	-	195,000
Total capital assets being depreciated	2,107,676	43,944	-	2,151,620

Davison - Richfield Area Fire Authority

Notes to Financial Statements June 30, 2008

Note 4 - Detailed Notes on All Funds (Continued)

B. Capital Assets (Continued)

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities (Continued)				
Less accumulated depreciation for:				
Alarm equipment	(2,315)	(423)	-	(2,738)
Trucks and vehicles	(1,031,451)	(62,030)	-	(1,093,481)
Radio equipment	(62,995)	(13,099)	-	(76,094)
Fire fighting equipment	(147,540)	(6,589)	-	(154,129)
Fire hall equipment	(84,904)	(4,226)	-	(89,130)
Building improvements	(39,063)	(3,160)	-	(42,223)
Building	(195,000)	-	-	(195,000)
Total accumulated depreciation	(1,563,268)	(89,527)	-	(1,652,795)
Total capital assets being depreciated, net	544,408	(45,583)	-	498,825
Governmental activities capital assets, net	\$ 549,408	\$ (26,883)	\$ -	\$ 522,525

Depreciation expense recognized was charged to the fire protection function.

Capital assets allocation: For purposes of distribution upon withdrawal the party shall be entitled to an amount equal to the percentage that their dollar contribution bears to the total contributions. Effective with the reorganization of the Authority the capital assets purchased through December 31, 1999 are allocated to the participating governments in the following ownership percentages: City of Davison - 18.22 percent, Richfield Township - 26.00 percent, and Davison Township - 55.78 percent. These percentages were calculated based on the contributions to the Capital Improvement Fund from 1984 to 1999.

For the period 2000 and forward the capital assets purchased are to be allocated based on the municipal billings paid by each unit for their fire runs divided by the total fire run income. The ownership percentages for these periods are as follows:

Period Ending	City of Davison	Richfield Township	Davison Township
Six months ended June 30, 2000	22.22%	26.84%	50.40%
Year ended June 30, 2001	16.63	22.98	60.39
Year ended June 30, 2002	20.21	24.74	55.05
Year ended June 30, 2003	19.65	23.02	57.33
Year ended June 30, 2004	20.84	21.60	57.56
Year ended June 30, 2005	19.43	28.63	51.94
Year ended June 30, 2006	19.74	27.83	52.43
Year ended June 30, 2007	19.29	27.89	52.82
Year ended June 30, 2008	17.44	30.25	52.31

Davison - Richfield Area Fire Authority

Notes to Financial Statements

June 30, 2008

Note 4 - Detailed Notes on All Funds (Continued)

C. Fund Balance Reserves

Per the Authority's plan of reorganization, the revenue and expenditures incurred by the General fund are allocated to specific fund balance reserves as detailed below:

	<u>Equipment</u>	<u>Vehicles</u>	<u>Contingency</u>	<u>Total</u>
Beginning balance	\$263,690	\$2,169,360	\$ 80,436	\$2,513,486
Revenue	25,200	162,540	421,308	609,048
Interest income	5,460	105,400	1,664	112,524
Other income	-	-	2,940	2,940
Expenses	(45,971)	(48,626)	(330,037)	(424,634)
Ending balances	<u>\$248,379</u>	<u>\$2,388,674</u>	<u>\$ 176,311</u>	<u>\$2,813,364</u>

The allocation of fire run revenue by reserve is as follows:

- Equipment reserve revenue is based on the number of runs times \$60.
- Vehicle reserve revenue is based on the number of runs times \$387.
- The balance of fire run revenue, \$1,115 for regular runs and \$74 for mutual aid/weather runs, is allocated to the contingency reserve.

For the year ended June 30, 2008, there were a total of 420 runs. 45 of these runs were mutual aid/weather runs billed at \$521 per run to each unit.

The purpose of each reservation is as follows:

- Equipment - to accumulate funds and replace equipment per an approved budget.
- Vehicle - to accumulate funds and replace vehicles per an approved budget.
- Contingency - to cover regular operating expenses of the Authority. This reserve is not to exceed 20 percent of the annual operating budget excluding any items expensed through the equipment or vehicle reserves.

Note 5 - Other Information

A. Retirement plan

The Authority provides pension benefits to all of its employees through a defined contribution plan effective July 1, 2003. The plan was adopted in-lieu of paying social security. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the Authority Board, the Authority contributes 6.20 percent in-lieu of social security and also matches employee's mandatory contribution of 3 percent with a 3 percent match for a total employer contribution of 9.20 percent.

Davison - Richfield Area Fire Authority

Notes to Financial Statements June 30, 2008

Note 5 - Other Information (Continued)

A. Retirement Plan (Continued)

The Authority's total payroll during the year was \$172,705. The current year contribution was calculated based on covered payroll of \$166,749, resulting in an employer contribution of \$15,341 and employee contributions of \$7,928. The Authority also continued to pay the Medicare portion of social security to the Internal Revenue Service.

B. Risk Management

The Authority is exposed to various risks at loss related to property loss, torts, errors and omissions, and employee injuries. The Authority has purchased commercial insurance for coverage of all claims except full time employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Authority pays unemployment claims on a reimbursement basis.

C. Subsequent Event

Subsequent to year end the Authority entered into an agreement to refurbish an Aerial truck for approximately \$336,000.

Required Supplementary Information

Davison-Richfield Area Fire Authority

Budgetary Comparison Schedule General Fund June 30, 2008

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Municipal billings	\$ 585,624	\$ 585,624	\$ 609,048	\$ 23,424
Inspection income	21,800	21,800	2,760	(19,040)
Interest income	46,550	46,550	112,524	65,974
Other income	250	250	180	(70)
Total revenue	654,224	654,224	724,512	70,288
Expenditures				
Current:				
Administrative costs	1,300	1,300	1,379	(79)
Professional fees	4,350	4,350	12,415	(8,065)
Building and grounds	24,300	24,300	21,168	3,132
Department clerk	32,811	32,811	31,993	818
Dues, memberships, and subscriptions	3,191	3,191	3,286	(95)
Fire Authority meetings	1,860	1,860	1,378	482
Insurance	41,022	41,022	43,037	(2,015)
Office supplies	2,000	2,000	1,941	59
Special schools and seminars	10,575	10,575	3,993	6,582
Telephone	4,750	4,750	4,523	227
Utilities	14,010	14,010	14,525	(515)
Miscellaneous expense	4,250	4,250	2,025	2,225
Fire prevention	3,100	3,100	1,387	1,713
Equipment maintenance	5,775	5,775	5,054	721
Gas, oil, grease, and etc.	5,800	5,800	8,641	(2,841)
Labor	264,153	264,153	168,359	95,794
Radio maintenance	500	500	513	(13)
Vehicle maintenance	11,700	11,700	4,420	7,280
Equipment trust expenses	59,926	59,926	45,971	13,955
Vehicle trust expenses	505,042	505,042	48,626	456,416
Total expenditures	1,000,415	1,000,415	424,634	575,781
Excess (deficiency) of revenue over expenditures	(346,191)	(346,191)	299,878	646,069
Fund Balance - Beginning of year	2,513,486	2,513,486	2,513,486	-
Fund Balance - End of year	\$ 2,167,295	\$ 2,167,295	\$ 2,813,364	\$ 646,069



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November 10, 2008

To the Authority Board
Davison Richfield Area Fire Authority

We have audited the financial statements of Davison Richfield Area Fire Authority for the year ended June 30, 2008, and have issued our report thereon dated November 10, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 27, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Davison Richfield Area Fire Authority. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of Davison Richfield Area Fire Authority, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 8, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Davison Richfield Area Fire Authority are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction,

that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 10, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility relates to the organization's financial statements and other information as identified in the auditor's report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents.

This information is intended solely for the use of Authority Board and management of Davison Richfield Area Fire Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in cursive script, appearing to read "Peggy Haw Jury".

Peggy Haw Jury, CPA, CFE